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CBS'S "FACE THE NATION"

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SPEAKERS: BOB SCHIEFFER, HOST

SEN. LINDSEY GRAHAM, R-S.C.

SEN. JOHN MCCAIN, R-ARIZ.

SEN. RICHARD J. DURBIN, D-ILL.

[*] (BEGIN VIDEO CLIP)

SCHIEFFER: Today on Face the Nation, the sequester was all Washington's doing, now Washington can't figure out how to undo it.

PRESIDENT OBAMA: This is not going to be a, apocalypse, I think as some people have said. It's just dumb. And it's going to hurt.

UNIDENTIFIED MALE: Ronald Reagan should be rolling over in his grave. Shame on everybody who agreed this was a good idea on our side.

(END VIDEO CLIP)

SCHIEFFER: The idea was to force Washington to find a sensible way to cut the deficit. Well, so much for good intentions. Both sides blame the other, the cuts kick in and no one knows what to do. We'll talk to two of the administration's top critics, Republicans John McCain and Lindsay Graham, then get the other side of the story from the number two Senate Democrat, Richard Durbin. We'll go to the Vatican and Cardinal Timothy Dolan of New York for the latest on choosing the new Pope, and we'll talk politics with legendary Watergate reporter Bob Woodward who has roundly irritated another White House, this one. Plus, Time magazine's Rana Foroohar, David Sanger, the chief Washington Correspondent for the New York Times, and our own John Dickerson. It's all next, because the sequester can't stop us. We're Face the Nation.

(MUSIC)

ANNOUNCER: From CBS News in Washington, Face the Nation with Bob Schieffer.

SCHIEFFER: And, good morning again. Yes, we are Face the Nation and our lead guest this morning, not exactly strangers to the broadcast, but the first time we've ever had both of them here in the studio together. Republican Senator John McCain and Republican Senator Lindsay Graham, both in the studio. Senator Graham, I'm going to start off...

MCCAIN: First off, next sequester, we're including you.

(LAUGHTER)

SCHIEFFER: I want to start, Senator Graham, with something, part of that speech you said on the Senate floor, because it seemed to really kind of sum up the week that Washington just went through.

GRAHAM: To me, this is pathetic leadership by the Commander in Chief. This is an abandonment of the Republican Party's belief in peace through strength. This is the low point in my time the United States Congress.

SCHIEFFER: And Bill Kristol, who is the editor of the Weekly Standard, kind of a voice of establishment Republicans, he said the Republicans have now, quote, his words, not mine, "joined the President on the road to irresponsibility." He says, "history will judge both your Republican Party and the President harshly saying they were weighed in the balance and found wanting." So where do you go from here, Senator McCain?

MCCAIN: Well, first of all, Bill Kristol is right and the fact is that we have now reached a point where if you believe our military leaders and if there's anybody that's credible in America today, it is our military leaders, where we will not have the proper training, readiness, equipment, in order to defend our national security issues and requirements. The centrifuges in Tehran are spinning, North Koreans are testing nuclear weapons, the Mid-East is in a period of deeper increase of upheaval. Al-Qaeda is spreading. So we're going to cut back on the training and readiness and capabilities the men and women who are serving. We haven't all work volunteer force. They deserve better. And through my Republican friends, as well as my Democrat friends, if you think that's the right way to go, then you don't know what's going on in the world. And this sequester, it requires the President to lead and for us to sit down. If he will stop going out and running campaign events and then, and bashing Republicans and coming back to Washington, why not take a day and invite us all over and work this out? Because American national security is at risk. I can find billions in cuts to defense spending that are absolutely necessary and appropriate. Not this way. Not when our Chief of Staff of the Army says that he's not going to be able to replace those who are fighting in Afghanistan with qualified and trained people.

SCHIEFFER: So what do Republicans need to do, Senator Graham?

GRAHAM: Well, I think we need to get off the sequestration highway. Two-thirds of the federal government is exempt from sequestration. The thing that bothers me the most is that we had this construct that you had to try to cut 1.3 trillion over a decade, and if you failed, the penalty clause would be to take 600 billion out of Defense, \$600 billion out of non-Defense, but you would exempt two-thirds of the government. So we've already cut \$489 billion out of Defense, so the way forward is a big deal. This is an opportunity for Congress to look at getting off the road to becoming Greece. So what I would like to see happen, is that the President and Republicans and Democrats re-engage where they left off with Boehner, that we as Republicans put \$600 billion, somewhere in that neighborhood, of new revenue on the table by flattening the tax code, eliminating deduction and exemptions, take that money to pay down debt and lower rates, and we go to where the real money is over time, entitlement reform, to save this from becoming Greece and find a substitute for sequestration, and a big deal, not a small deal.

SCHIEFFER: Do you all feel that your party is somehow being held hostage? The President has talked about kind of a common sense caucus and we hear reports this morning that he started calling around, calling some Republicans to see what can be done. Are people on the extreme ends of your party holding the rest of you hostage here?

MCCAIN: I don't think -- frankly, it's extreme -- and to the party I think a lot of it is just people who don't understand. We've put up a proposal and most Republicans voted for a quote "flexibility" for the President of the

United States. I spent hundreds of hours with Carl Levin, shaping a Defense authorization bill, so now we're supposed to just give all of that over to the President of the United States? That's a violation of my Constitutional responsibilities. So I say in respect that it isn't so much the extremes as much as it is a lack of appreciation of the world we live in, and this has been manifested at other times, in other ways as well.

SCHIEFFER: Have you all been called by the President? We hear from his people this morning that yes, he is starting to call Republicans, and I guess that's kind of the state of where we are, and when it's news, and we hear the President has called members of the other party.

GRAHAM: Well, we met with the President about immigration. We talked a little bit about sequestration, a little bit about Benghazi, and it's good to talk. Why can't we solve the nation's problems? You can blame both groups because at the end of the day, it's going to take both of us to do what Ronald Reagan and Tip O'Neill did. What were Ronald Reagan and Tip O'Neill able to do? Save Social Security from bankruptcy by talking to each other, getting smart people together, taking their ideas and voting on them. That's exactly what, Mr. President, you play the role of Ronald Reagan and we'll be Tip O'Neill. You just change the roles around. We can do the big deal if we have some leadership.

SCHIEFFER: Why not just keep the cuts? Okay, you've got the cuts that sequestration ordered. Why not keep those cuts, but write some legislation that says you'll give the President the flexibility to decide where within each of his departments those cuts will come. What would be wrong with that, senator?

MCCAIN: Well, first of all, as Lindsay just give you the numbers of disproportion in cuts to Defense. Defense is 19 % of the discretionary spending, the non-Medicare, non-Social Security. It's taking 50 % of the cuts, and then you put that on top of 487 billion that's already in train, 87 billion that was already cut by Secretary Gates, and you are talking about a quote "hollow army". If you deprive the military of the ability to train, the ability to have flight hours for our pilots and air crews, the ability of our people to have the right kind of equipment to fight with, then you are putting us in danger in my view.

SCHIEFFER: But wouldn't that be a way to start, though.

MCCAIN: No.

SCHIEFFER: I mean, because you could say, okay, you've gotta cut X number of dollars out of Defense, but I'm going to let you, Mr. President, you, Secretary of Defense, decide where those cuts are coming. You could keep the spending, the money that goes for training and those critical things and cut military bands or something like that.

MCCAIN: Well, go ahead. I'll let Lindsay go ahead, but the fact is we spent three weeks on the floor of the Senate, hundreds of amendments, hours and hours of debate, shaping a Defense authorization bill which authorizes the President how to train, equip and man the military of the United States of America, so we're supposed to just say, forget all that, you do whatever you want, Mr. President? That isn't the way the Constitution dictates that we behave.

GRAHAM: Here's why it won't work. We're taking \$42.5, \$45 billion a year out of the Defense Department over the next decade. At the end of the decade, we're going to have the smallest navy since 1915, 232 ships. No amount of flexibility will avoid that. We're going to have the smallest air force in history. The smallest army since 1940. Our Defense spending will below 3 percent of GDP. We will have a hollow force. Personnel costs are exempted from sequestration, we're not taking military pay and sequestering it, so you take all the systems

except military pay and over a decade, you destroy the Defense Department. There's no amount of flexibility will fix this. Leon Panetta is right, we are shooting ourselves in the head as a nation, and this is the dumbest idea he's seen in his time in the government.

SCHIEFFER: What if -- go ahead, Senator.

MCCAIN: And we'll be glad to sit down, Republicans, Democrats, we know that what this requires is just as you pointed out, a way of avoiding what is, again, in the words of our Chairman of the Joint Chiefs of Staff, a catastrophic effect on our nation, our nation's defense. And tell me a higher priority than national security, and look at the world today.

GRAHAM: But the question is how you fix it. I'm not going to do any more small deals. I'm not going to raise taxes to fix sequestration. We don't need to raise taxes to fund the government, we need to raise taxes to get our nation out of debt. We have \$16.7 trillion in debt. We need to clean up tax codes, to create jobs by flattening it out, not fixing sequestration with more money.

SCHIEFFER: What...

MCCAIN: We had a bill, we had a proposal to cut spending to pay for this year's reductions in Defense spending. It was not allowed to have a vote on the floor of the Senate by both Democrat and Republican leaders.

SCHIEFFER: One of the things, and I want to shift just a little bit...

GRAHAM: Um-hum.

SCHIEFFER: You said before you would be willing to vote for John Brennan to be head of the CIA. You wanted more information about all these emails and there were hundreds of them, I guess that went back and forth between members of the administration during that week, after the attack on Benghazi.

GRAHAM: Right.

SCHIEFFER: Emails concerning what the administration spokesman who turned out to be Susan Rice would say that following Sunday on the Sunday broadcasts, including this one. Have you gotten any information out of them? I understand the administration has released some emails.

GRAHAM: They have released some. One, her story has completely collapsed under scrutiny. And I mentioned this to the President. Here's what I want. I want the FBI interviews of the survivors two days after the attack. They were turned over to the Intelligence Committee and everything was blacked out. They're now taking another chance of providing the FBI interviews, so you actually can read what they say. The emails around who's changing the talking point, there's a big gap. I want to know who the survivors are, so we can go interview them. The transmissions from Benghazi to Washington in real time on the night of the attack, what were people asking for, what were they saying? All that information was given to Committee, completely blacked out and I told the President, this is to learn -- I think Benghazi is exhibit A in a failed foreign policy. Leading from behind is not working, and we're trying to find out what happened on that night, so we won't have other Benghazis, and I'm not going to vote for Brennan until the CIA who said they did change the talking points lets us know who did it, and why, and we have a picture of what happened in real time in Benghazi.

SCHIEFFER: You're not going to vote for him, but will you try to...

GRAHAM: I will stop. I think John and I are hell-bent on making sure the American people understand this debacle called Benghazi. The FBI and the CIA never talked for weeks. We're going back to the pre 9/11 model. We don't know what the interviews of the survivors tell us. There was never a video that spawned a riot. That whole story has just been debunked and we're going to get to the bottom of it.

SCHIEFFER: Senator.

MCCAIN: I've had questions, written questions for Mr. Brennan, and for nearly three weeks now, we've not received a single answer. I think that we deserve at least an answer to those questions, and I have some questions about torture.

SCHIEFFER: So you intend to join Senator Graham and block the...

MCCAIN: No, I...

SCHIEFFER: ...administration from coming to a vote and...

MCCAIN: ...hate to threaten. We hate to, to say, the story tomorrow will be McCain and Graham threaten to -- why don't we just get the answers to these questions? They're not, they're not tough questions and they're legitimate questions.

SCHIEFFER: But until you get the answers, you're not going along with it.

MCCAIN: Well, we certainly think we deserve the answers and I think again, it's our responsibility on Advise and Consent to get answers to questions about nominees to important positions.

GRAHAM: Bob, it's a time-honored tradition in the U.S. Senate that when an administration, any administration, puts somebody forward, the Senator has concerns or questions, or any information that they would like, that there's a give-and-take, and I'm going to insist on that time-hon- -- I'm not gonna vote on a new CIA director until I find out what the CIA did in Benghazi.

SCHIEFFER: All right. Gentlemen, it's always a pleasure to have you.

MCCAIN: 60,000 dead in Syria, and we still haven't acted. Thank you.

SCHIEFFER: Thank you very much. Well, for the Democratic response to all of that, the Assistant Senate Leader, Richard Durbin joins us now from Chicago, Senator, the floor is yours.

DURBIN: Well, I can tell you it was great to hear my colleagues, the two amigos. Bob, I spend hours each week with both of them and a number of senators, Democrats and Republicans. We're trying to write a new immigration bill. I think people who have given up on Congress would be encouraged to know that there's a real positive dialogue, bipartisan dialogue and perhaps, just perhaps, we can set the stage for an even more positive dialogue when it comes to the budget.

SCHIEFFER: So you actually think that something can happen, and you're working with them. You think there really is a serious bipartisan effort on this one?

DURBIN: Oh, there's no question about it. Chuck Schumer and myself and Bob Menendez, Mike Bennet, Marco Rubio, Jeff Flake and the two amigos you just had on board here, they've really buckled down. We meet virtually every day in a bipartisan effort to write an immigration bill. The President supports us. I think it can be achieved.

And the point I want to make, when I listen to Lindsay Graham, and talk about where we need to go with deficit reduction, what he is saying is basically the construct of the Bowles and Simpson Commission, the notion of putting everything on the table, revenue, spending cuts, entitlement reform. If we did that, we'd avoid these manufactured crises like the one we're in right now.

SCHIEFFER: Well, I think we are beyond the, going, arguing about whose fault it is on how we got here. I think there's plenty of blame for both sides and I would ask you to probably agree with that. But where do you go now? What is the next step? They're saying the President needs to get people together again, and try to sit down at the table and talk about this. How do you think you get him there? And is that the way to do it?

DURBIN: You know, Bob, I'm almost afraid to say it. The American people over the past two years plus have been lurching or watching Washington lurch from threatened government shutdowns, threatened economic shutdowns. The words fiscal cliff become common in the American language. Now we know what it's all about. The sequestration word is very common. Unfortunately in three weeks, we face another one. It's the expiration of the continuing resolution, which means the funding bill for government expires. In three weeks. We have to agree how to finish the year until September 30th. It creates an opportunity for us to sit down, the President and Congressional leaders, and come up with an answer that is sensible to deal with sequestration, as well as with the remainder of this year.

SCHIEFFER: Have you ever seen Washington as gridlocked as it is now at...

DURBIN: No.

SCHIEFFER: ...this particular time?

DURBIN: I never have, and I've been through some pretty rough periods of time. I can recall the ascendancy of Newt Gingrich and what it meant to us. It was a very frustrating and emotional upheaval in Washington. But what we have here is a steady diet, and I have, I don't want to point fingers, but I will, but the House Republican approach to this is, we're either going to do it exclusively with Republicans, or we just won't do it at all. Only when they're pushed to the absolute extreme will they allow a bipartisan vote. What you heard this morning from my two Republican colleagues, and I hope what I'm saying, is that we're trying to establish a new standard in the Senate of bipartisan dialogue that might lead to a solution. If the House would embrace the same basic concept, I am certain, certain the President would sit down and work in good faith to get us through this.

SCHIEFFER: Let me ask you about one sideshow that came along this week, and that was flap between Bob Woodward, the legendary Watergate reporter in the White House. Woodward basically suggested that the White House was trying to intimidate reporters. What's your take on that?

DURBIN: Well, it's all about Gene Sperling, an economic advisor to the President, as he was to President Clinton, and emails he exchanged with Bob Woodward. I have known Gene Sperling for many, many years, and if you ask everyone who knows him to describe him, the word threatening is the last word that would come out of your mouth. That is not Gene Sperling. That is not who he is. What he said is, I think he'll come to regret what Bob Woodward asserted, and a regret can mean more than whether or not he's going to be threatened in terms of his status with the White House. He may come to regret it because it's wrong. Gene Sperling is not a threatening person, and although emotions were running high, at the end of their email exchange, it's pretty clear they're both on a very friendly status.

SCHIEFFER: All right. Well, Senator, we want to thank you for giving us the Democrat's side of this story. We'll be

back and we'll talk to Bob Woodward about this in just a minute.

(COMMERCIAL BREAK)

SCHIEFFER: Well, we're back now with the legendary, and a lot of people would call legendary, you really are one, Bob. Bob Woodward, the author of the book *The Price of Politics*, which is considered the definitive book on how this sequester came about, but of course, you're best known for the Watergate days and your work there, Bob. You've been in a scrap or two with various White Houses over the years, starting with the Nixon White House, but you took note when White House official Gene Sperling, it turned out to be, told you, you would, what did he say, you would regret...

BOB WOODWARD, WASHINGTON POST: Right, staking out this position.

SCHIEFFER: And you took that as sort of a...

WOODWARD: Not, not -- what happened, two very good reporters from Politico came to me and they'd written a very thoughtful piece about bullying from the White House of the reporters and people and kind of a message management that they thought was extreme. And I cited that Sperling email of an example of not the way to operate. I never said it was threatening, or I just said, you know, this just won't work. And is, it won't work.

SCHIEFFER: But basically what you said was, look, I'm a grown person. I've been around a long time. These things don't, don't bother me but you kind of worry that maybe more inexperienced reporters might be intimidated.

WOODWARD: Most like, like all White Houses, they don't like to be challenged. I've spent months on this book and there's a part of the reporting that's not in the book, that I did a column a week ago for the Post and showed that the White House was, really came up with the idea of this sequester, it's an awful word, automatic spending cuts. And they didn't like that. And I've had a back and forth with Gene Sperling. Now, today, this morning, I understand he said...

SCHIEFFER: What he said was I hope we can put this behind us.

WOODWARD: And, and the answer is yes. I, you know, he's a peacemaker. I'm the business of listening. And I'm gonna invite him over to my house if he'll come, and hopefully, he'll bring others from the White House and maybe the President himself, and we can, you know, this is, talking really works.

SCHIEFFER: It really works on this then, all right. We've got a minute here. How do you think the country, Washington, gets out of this mess we're in now?

WOODWARD: I think what's sad is there is this bunker mentality in the White House and within the Republican Party and something surfaces and people jump on it and say, oh, this is good for Obama, so we're gonna embrace it. This is bad for Obama. We're gonna denounce it. And what we forget, and you know, you live in this zone. You and I have been around for a long time, and it's a very narrow zone of neutrality, non-partisan, let's find out the facts, that's what I'm trying to do. And I think it's sad that the President hasn't seized control of his own presidency, in fact.

SCHIEFFER: All right. We'll talk a lot more about this during the Round Table. I'll be back in just a minute with my own thoughts about this.

(COMMERCIAL BREAK) SCHIEFFER: Last week, I heard the Senate Chaplain pray for help to save us from ourselves. I would guess a lot of Americans are praying to save us from them, them being official Washington. What we saw last week was a complete breakdown of the American political system and a government and administration, the Senate and the House that has lost the political will, and yes, the political competence to fix it. The so-called sequestration was designed to inflict such horrible cuts in federal spending that no one with half a brain would allow them to happen. This, the theory went, would leave Congress and the White House no alternative but to find sensible ways to put the country's finances in order. Now, I would never say the majority of people in Washington have less than half a brain, but the fact is sequestration did happen. It is as if Washington as separated itself from the rest of America, in order to spend its time on things of concern only here, score settling, fund raising, blame gaming, while leaving the rest of the country to fend for itself. I don't know where this goes, but I do know it is not how America became a superpower and if history is a guide, certainly no way to remain one. Back in a minute.

(COMMERCIAL BREAK)

SCHIEFFER: Well, some of our stations are leaving us now, for most of you, though, we'll be back with a lot more Face the Nation, including an interview with Archbishop Timothy Dolan of New York, one of the Cardinals working to pick a new Pope and we'll have our political roundtable.

(COMMERCIAL BREAK)

SCHIEFFER: And welcome back to Face the Nation. Cardinal Timothy Dolan is the Archbishop of New York of course, and he joins us from the Vatican where he and the other cardinals are preparing to elect a Pope. Your Eminence, thank you so much for joining us.

We know that conclave will start in a matter of days, but what I'm interested in is what happens between now and when the conclave starts.

CARDINAL TIMOTHY DOLAN, ARCHBISHOP OF NEW YORK: Bob, happy to answer. First of all happy Sunday morning to you and it's good to be with you. I appreciate the invitation.

You ask a very important question, Bob, because the next week is vitally important. When the conclave will start we don't quite know. But the congregations of cardinals -- that's different than the conclave. The College of Cardinals will begin meeting tomorrow morning, Monday, at 9:30. We'll go four hours every morning.

And one of the first things we'll decide is when the conclave will start. Now the time in between, Bob, and I would predict that's probably going to be at least a week -- it's very important. We'll pray together, we'll talk together, and we'll get to know each other better.

SCHIEFFER: What actually happens? I mean I know you have dinners together. You talk about praying together. Do people actually politic? I mean I'm a political reporter, and I know how it works-

DOLAN: -- Sure, sure.

SCHIEFFER: In the days before a political convention convenes. People meet together. How -

DOLAN: --The analogy would not hold Bob. And you're wise to see that. No this isn't the New Hampshire primary. Nobody would campaign. We're just getting to know each other better. We'll listen to one another from what I understand. I've never been part of it.

Every cardinal will have the right to speak. And every cardinal will be expected to speak for four or five minutes, mostly responding to the question, "What issues of pastoral urgency do you need-do you see challenging the church today?" And we'll listen. We'll listen hard. It's going to be very important to me to listen to cardinals from India, cardinals from Latin America.

They tell us it's going to be very important for them to listen to us. And this will be a time not only that we begin to kind of get a good consensus of what are the major issues, the vision that we need, the mission of the church, but we'll get to know one another and probably decided which man we're going to elect to be the next successor of Saint Peter.

SCHIEFFER: And the Pope himself said his papacy has been marked by periods of dark, as well as periods of light. He said at some points as if there were times when the Lord was asleep. What are the issues that you think are going to be discussed? And what do you, as the Archbishop of New York, see as the major problems now your eminence is facing the church?

DOLAN: Sure, Bob, the Holy Father was remarkably realistic in his assessment of his eight magnificent years as successor of Peter. We all know though in the 2,000 year history of the church there's always been those difficulties, those flaws, those sins, those sorrows to which he referred to so eloquently.

What do we see now? Even in the informal discussions among the cardinals? I hear cardinals speak about issues of religious persecution throughout the world. That Christianity and Catholics seem to be in the cross-hairs of fanatics. I hear religious liberty. I hear a restoration of the nobility of the vocation to marriage and family.

I hear the difficulty that we have particularly in Europe and North America that's been well documented and that affects not only the Catholic Church but every religion, that a growing number of people have no trouble with God -- no trouble with faith. But they have a lot of problems with religion and the church.

For us as Catholics, that's a tough one. Because we always see Jesus and his church as one. So to restore that sense of luster and reform and purity to the church to attract more people, that's another one we hear about. You hear, again, about the new evangelization. How are we going to win back those nations, especially in Europe, that are nominally Catholic, but have drifted from Catholic fervor?

You hear about the growing churches in Asia and Latin America and Africa where there's more people than they know what to do with. Where there's massive material needs. They need more churches, they need more schools and hospitals. They need more priests and sisters and qualified lay leaders.

You hear all about the joys. You hear all about the sorrows. It's a magnificent symphony in the life of the church that I find very embracing -- very uplifting.

SCHIEFFER: Well there is also, your eminence, things like the cover-up of sexual crimes, pedophiles. You've got the cardinal from California-

DOLAN: -- Sure.

SCHIEFFER: Who was accused of not being candid about things out there on that front? Are we going to hear something about that? Because I take your point about all of the points that you just made. I understand that. But what we read about and what we hear about are some of these very unsavory things that have come to life -

DOLAN: -- You bet.

SCHIEFFER: How seriously do the cardinals take these things, your eminence?

DOLAN: We have to take with the utmost seriousness. And we have to have a sense of contrition, realism about confronting that. You're dead-right. There's no cardinal with his head-in-the-sand when it comes to these issues. The church, of course, while it is not of the world. It does exist in the world.

So it shouldn't surprise us that the afflictions of the world -- and you've just named some of them. Sexual immorality, perversion, abusive children that affects all elements of society and culture are particularly hideous when it comes to the church. And that that will be an issue? I predict it will.

SCHIEFFER: Your eminence, what about some of the more radical ideas that we hear from time-to-time about the church? Should priests be allowed to marry? Should women be allowed to become priests? Will those kinds of things come up for discussion?

DOLAN: Well from what I hear, there's complete liberty of what cardinals want to say. From my own point of view, Bob, and again, I'm a rookie. I've never been in one of these before. I wouldn't think those kind of things would come up explicably. You've got to remember, Bob, that in Catholic wisdom, we're electing the successor of Peter whose job description says he is to preserve the integrity and the patrimony of the faith.

OK? So if you're talking about radical changes, that's not part of the job description of a Pope, see? He's supposed to preserve and hand-on intact. Now -- here's a big distinction. We can talk and we better talk about perhaps a more credible convicting way of expressing those immutable timeless trues of the church because sometimes people tell us they find those things tough to accept or tough to believe.

We better think about that. We can't change the what -- we can change the how. And that could -- how we teach it, how we pass it on. And that will probably be part of our conversations.

SCHIEFFER: Well, your eminence, I want to wish you the very best as you embark on this -- on this mission and hope you'll keep us informed -

DOLAN: Thanks, Bob. I'll keep you informed. I'll keep you in prayer and I've still got that coffee cup you gave me the last time I was on. SCHIEFFER: All the best, (INAUDIBLE). And we'll be back in just a moment.

(COMMERCIAL BREAK)

SCHIEFFER: And we're back again with Bob Woodward of The Washington Post, the assisting -- - assistant managing editor of Time Magazine, Rana Foroohar, the chief Washington correspondent for The New York Times, David Sanger, and CBS news political director, John Dickerson.

Boy you don't have much of a title compared to these other people over here.

JOHN DICKERSON, CBS NEWS POLITICAL DIRECTOR: Well I'm hoping to get something out of Rome in the next couple of weeks.

(LAUGHTER)

SCHIEFFER: Does anybody here think that the Catholic Church could do better -- I'm not saying for Pope. But if they were looking for somebody to make their case, could they find a better spokesman, than Cardinal Timothy Dolan?

WOODWARD: No, they could not. I'm wonder if he has a chance. I don't think they're going to pick an American Pope. That's almost a certainty. But there's a kind of reasonableness and, "hey we're listening, we're talking. Maybe he should come do some mediation between the White House and the Republicans."--

DICKERSON: --I was going to say, you know it's interesting that we hear political parties when they're in a fix. And there's always a debate is that the underlying message or the messenger that's the problem. And here you heard the cardinal basically say it just (INAUDIBLE) the packaging, not the underlying message. That's a challenge for churches and for political parties.

SANGER: And he also went out of his to say the issues of sexual abuse and so forth has to be addressed in this conclave. And I haven't heard many others say that.

SCHIEFFER: Yes, I thought it was very telling what he had to say. Well, all right. So we know the sequestration has happened. This thing that everybody has said is so stupid, so awful, so ridiculous that Washington would have no alternative but to find a better way to do it. They couldn't find a better way to do it. What happens? What happens next, David?

SANGER: Well I think the most remarkable thing is what has changed in the past 18 months as you said everybody concluded that this was such a meat cleaver way to cut the budget that it would never be allowed to happen and what happened? As soon as it was going out?

Not only did it happen, but Congress left town in the days beforehand. So there's been no sense of crisis here and I think actually the absence of the sense of crisis is in some way the news of what's going on, that you saw President Obama make, I think, a fairly serious miscalculation.

He believed that these cuts in defense would be so outrageous to the Republican Party they would never let it happen. Well it turns out that that part of the party that wanted to see cuts happen, to shrink government won out over the traditional side that would defend the defense department.

SCHIEFFER: But what happens next, John?

DICKERSON: I think what happens next -- we've been so pessimistic. And there's -- seems every minute it seems we get another reason to be pessimistic about what's happening in Washington. Let's try to find the optimist case which is -- we've had this bad thing happen. Republicans can now say, "We didn't bend to this president on the question of revenues."

Now Republicans were in trouble with their base on having buckled on two previous fights over the fiscal cliff and the debt limit. So they can now say, "Look, we stuck." There's also consensus that they need to go big again. That everybody wants to get back to regular order. And this month we're going to have a budget from the White House, the Senate -- maybe, they've said they would do one before, and haven't, and House Republicans.

Everybody is going to off a budget. We're going to get back to the actual big discussion about taxes and spending and investment and how to do things in the time of scarcity. That may get us back to a big conversation. Why is that important? Because in a big conversation, you can make this trade that everybody knows has to happen. Which is Republicans accept a little bit of revenue. And the president offers some entitlement cuts that he's already offered.

So we get back to the big deal. That's failed many times before. But in a time of despair, that might be a little glimmer of hope.

SCHIEFFER: Rana, you're our economics person here at the table today. How bad is the impact of this going to be on the economy?

RANA FOROOHAR, ASSISTANT MANAGING EDITOR OF TIME MAGAZINE: Well most economists say it's going to shave about a half a percentage point off of growth. And what that means is that the recovery which might be more robust at this point is probably not going to feel that way. We're going to be in a two percent growth economy which is basically where we've been for the last couple of years.

And that's too bad. But one thing that's very interesting is that markets are nearing a record high. They're almost -- they're a few hundred points from being where they were in 2007. That's in part due to the fact that the fed has buffered a lot of the problems in Washington by this asset buying program that's been going on for some time now.

Stock markets are up. Housing is coming back. So I think that the recovering a private sector that's happened and will continue to happen is going to buffer some of what's happening and the dysfunction in Washington -

SCHIEFFER: -- What about unemployment? Will this have an impact on that?

FOROOHAR: I think unemployment is going to hover around 7.9 percent, roughly where it's been. It thinks we're going to see a slow recovery because areas again like housing and construction and manufacturing are growing. It's just too bad. Because if we had things together in Washington, I think we'd have a fairly robust recovery by now.

WOODWARD: And I agree with that. And in fact, you might have more than a robust recovery. And I think what's missing here is the discussion of the impact on real people and the human toll here for something everyone says, "This is total idiocy." And by conservative estimates, hundreds of thousands of people are going to lose their jobs. Now the people who, you know, the President of the United States, the leaders, the members of Congress, I think, have a moral responsibility to the people.

And if you devise something where hundreds of thousands of people are going to lose their jobs. People are going to be furloughed who cannot afford it. I mean this is very -- this sad and out in the country, people are saying -- not just what's going on but this is madness.

SCHIEFFER: You know I keep thinking back to Casey Stengel, who was the great baseball manager. And when he was managing the Mets in those early years when they couldn't do anything right. And one day he just looked up and said, "Can't anybody here play this game?" To me there's a question of competency here.

WOODWARDS: In the president -

SCHIEFFER: -- I mean on both sides. I'm not talking about Republicans. I'm not talking about Democrats.

WOODWARDS: I agree. But the president talked about a caucus of common sense. Which it's a great phrase--

WOODWARD: He could lead that. He could lead that. And he was saying, "Oh there's no secret formula. There's no secret sauce." But there is. And that is for him to lead.

SANGER: And, Bob, you know, we forget that in some ways we're closer to a solution here than we think. My colleague, Jackie Calmes, had a fascinating story in The Times this morning, laying out how close we are to basically four trillion dollars in cuts. And \$1.5 trillion came from the reductions that were agreed on by Congress

and the president in 2011.

The \$700 billion from the tax increase they agreed on. There's another \$700 billion in projected reductions in the debt that will reduce the amount of interest we have to pay. So we're getting much closer. And there's some in reductions of medical costs as well. We're a lot closer to that initial goal.

So doing what John just described before shouldn't be all that hard. We've seen bigger deals.

DICKERSON: Because the president can say to Republicans, "Look we've cut a lot." And so I -- and Republicans can say, "We didn't give in on this latest request for revenues." So that gives a little bit of breathing room for each of the sides. And what hasn't been rezoned though are two big questions.

One, what to do with entitlements? All this cutting that's going on is just not the main thing. The main thing is the increasing cost of Medicare and Medicaid. And adults have to get together on that. Because if you look at the polling, basically the country hasn't won -- politicians to mess with entitlement -- Republicans or Democrats. The only way they are going to -- to solve that big problem, is if they come together.

And the other thing is growth. How does the government either get out of the way or help economic growth? Those are the two main, important conversations that can't even begin to happen unless we get to this -- get to the big deal, back to the big conversation where everybody can run Congress the way it's supposed to be run.

Go back to what they call regular order so that these can get worked out in the non-crisis atmosphere. And that's the whole -

FOROOHAR: -- You know one thing that is important to remember to is looking at this in a global context. We're actually back where we were in August of 2011. We benefited from the fact that everybody else was doing worse than we were. Europe was in crisis. Europe's back in crisis. China is growing much more slowly than it used to be.

So we're still the prettiest house on the ugly block that is the global economy. And that's an opportunity if Washington would just see that to really spur growth.

WOODWARD: But what do people out there hear? They hear the White House saying, "It's all the Republicans fault." You hear the Republicans saying, "It's all Obama's fault." And they're in their bunkers and then something happens and they all call out their bunker maintenance crew and they say, "They're the ones that did this. They're the ones that did that." And, you know, I really think it's fixable with conversation.

And, John, is right. This -- not touch entitlements when people talk about the long term debt in deficit -- that's the problem. And you've got to address it. And it's a bitter pill to swallow. The president has said he would accept it over the summer -- he told me, he said, "It is untenable,"-that's a strong word, "to not cut these things." OK, let's start.

SCHIEFFER: I just worry that Washington has forgotten how to compromise. Washington seemed to maybe these people are just too new to Washington to remember how people used to get together and -- I don't want to sound corny about this, they talked to one another. Now they go out and run ads against one another.

That's not working. The old way -- maybe it was old-fashioned, but the old way worked.

DICKERSON: Well there are a few people, you know, blowing on the dying coals of compromise in Washington on both the question of immigration. You've got people on both sides. In fact, Republicans have said to the

president, "Stay out of this conversation. We're doing OK over here in our little attempt to build a bi-partisan consensus on gun control. There's a little bit of a bi-partisan group working together to get something done."

So it is happening, mostly out of the spotlight -- once the spotlight arrives, everybody misbehaves.

SANGER: You know a place to look for this is just where, Bob, said, in Medicaid, Social Security, and also in defense. I'm a big believer in the Willie Sutton Rule. You rob banks because that's where the money is. OK? So our total National Security Budget has basically doubled since 9/11. There's almost no one you talk to in the senior levels of the military who won't tell you that there are big cuts, you can do there if you do them smartly.

And certainly they are not done smartly in this. But, you know, you want more money in cyber. You want more money in drones. There are now more drone pilots being trained in the United States than there are pilots for human based plans. More inspection (ph) forces. And a real discussion about which old Cold War systems we no longer need. That's the hardest thing to cut there in a lot of different Congressional districts.

SCHIEFFER: Let me -- one of the big things that happened this week. John Kerry, the new Secretary of State said, "We're going to give some more aid than we have been giving to Syria." Where does that go? Is that a good thing? What do you think, Bob?

WOODWARD: It makes sense and the more that can be done, I suspect, there are culvert ways they're doing things and, you know, this is a big deal. Again, it goes to the moral authority of the United States. Tens of thousands of people killed. You've got to do something. You've got to do the maximum.

The president's committed to not putting troops on the ground. That's probably quite smart.

SCHIEFFER: One other question. I'm not even going to make a question. I'm just going to say two names, Dennis Rodman and Kim Jong-Un. He had (INAUDIBLE) Korea and they had to -

SANGER: -- (INAUDIBLE), great scene. And my favorite part -- my favorite part is President Obama sent at least one, and maybe two secret missions of State Department and NSC officials and so forth to Pyongyang. They never even got an audience with anybody other than mid-level functionaries in North Korea.

Dennis Rodman shows up and he's laughing with Kim Jong-Un and watching basketball together. And then somebody said to me, yes yesterday, "Maybe they should have just given him the nuclearization (ph) brief and just handed", and it would be interesting to see Dennis Rodman as a nuclear negotiator, don't you think?

SCHIEFFER: Well, I mean, you know, we had ping-pong diplomacy back there -

(CROSSTALK)

SCHIEFFER: -- (INAUDIBLE) diplomacy.

WOODWARD: But that's serious. I mean we better worry about North Korea. -

SCHIEFFER: -- Yes.

WOODWARD: David knows about this. I mean they -

SCHIEFFER: -- Absolutely.

WOODWARD: I mean they have the (INAUDIBLE) and it is a regime that you can't really figure out.

SANGER: And Bob's right. For all of the jokes about how strange the country is and I was there 20 years ago, and it's pretty strange. The fact of the matter is they've now conducted a third nuclear test. We're still living in the fiction that they're not a nuclear power. They are now in nuclear power.

And the United States just doesn't want to admit to it. And they don't want to admit to it for a good reason which is that the North Koreans want to be treated like Pakistan. That we basically admit they've got the weapon and move on. All right?

SCHIEFFER: All right. Well thanks to all of you. I'm not sure we got many -- we solved any problems here, but we started down the road. We'll be back in a minute with our 'Face the Nation' flashback.

(COMMERCIAL BREAK)

SCHIEFFER: Pope Benedict's resignation meant one of the most fascinating and mysterious rituals of the Catholic Church. The people conclave would soon begin to elect a new Pope for a process that hasn't changed in a thousand years. That's our 'Face the Nation' flashback.

(BEGIN VIDEO CLIP)

SCHIEFFER: The cardinals gather in Vatican City. The voting begins. And the world waits for a smoke signal.

UNIDENTIFIED MALE: If the smoke from this tiny stove is white, it would signal the election of a new Pope.

SCHIEFFER: But sometimes the smoke signals aren't very clear. In August, 1978, when Pope John Paul was chosen, the crowd in Saint Peter's square couldn't tell if the smoke was white or black. And when Pope Benedict was selected in 2005, it wasn't just the crowds in Rome who were confused.

We have some smoke rising again from the Sistine Chapel. At this point, we do not know for sure what color it is. In this time, when we can flash news around the world by the speed of light. And yet, we're all sitting here trying to figure out if we're seeing white smoke or black smoke.

All eyes will soon be on that chimney again. And even in the age of Twitter, we'll all be doing what people have done for thousands of years, trying to read the smoke signals. Our 'Face the Nation' flashback.

(END OF VIDEO CLIP)

(COMMERCIAL BREAK)

SCHIEFFER: Well, that's it for today. Be sure to tune in next Sunday when we'll be talking with former Florida Governor, Jeb Bush. And tomorrow, 'CBS This Morning', kicks off a special series called, "Eye Opening Women". They'll talk to former Supreme Court Justice, Sandra Day O'Connor. That's it. Thanks for watching, 'Face the Nation'.

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